



OFFICE OF THE PUBLIC AUDITOR
Guam Economic Development and Commerce Authority
FY 2007 Financial Highlights

March 11, 2008

The Guam Economic Development and Commerce Authority (GEDCA) fiscal year (FY) 2007 audit reported more than \$5 million¹ in GEDCA Trust Fund loans are not collectable and salaries, benefits, and travel have increased despite a slight drop in revenues. Due to gains on investments and unexpected typhoon recovery, GEDCA ended the year with a \$127,000 increase in net assets and would have otherwise experienced a loss.

GEDCA's Trust Funds

GEDCA maintains several trust funds² for economic development programs. A five-year comparison shows that while GEDCA was able to collect over \$5 million from the Guam Development Fund Act (GDFA), at 2007, an allowance for doubtful receivables of \$4.4 million has been set aside. That means for every dollar loaned by the GDFA, it is expected to collect 22 cents. See table below for comparison.

	Guam Development Fund Act				
	2007	2006	2005	2004	2003
Notes and accrued interest receivable	\$ 5,703,063	\$ 7,348,776	\$ 8,570,084	\$ 10,105,132	\$ 10,755,615
Less allowance for doubtful receivables	(4,444,587)	(4,255,061)	(4,093,950)	(4,093,950)	(4,306,950)
Percentage of doubtful receivables	-78%	-58%	-48%	-41%	-40%

Similarly, for the Agricultural Development Fund (ADF), it collected only \$237,000 over a five year period. For \$607,000 in outstanding loans in 2007, an allowance for doubtful receivables of \$514,000 has been set aside. This means that the ADF is expected to receive only 15 cents for every dollar loaned. See table below for comparison.

	Agricultural Development Fund				
	2007	2006	2005	2004	2003
Notes and accrued interest receivable	\$ 607,837	\$ 637,163	\$ 666,448	\$ 709,440	\$ 844,480
Less allowance for doubtful receivables	(514,624)	(508,817)	(518,784)	(449,337)	(449,337)
Percentage of doubtful receivables	-85%	-80%	-78%	-63%	-53%

¹ GEDCA estimated that loans of \$4.4 million from the Guam Development Fund Act, \$515,000 from the Agricultural Development Fund, and \$48,000 from the Microenterprise Development Program are deemed uncollectible.

² The Guam Development Fund Act, the Agricultural Development Fund, the Landowner's Recovery Fund, the Microenterprise Development Program, the Housing and Urban Development Fund, the Local Arts Revolving Fund, the Guam Territorial Aquarium Foundation, the Music and Legends of Guam Fund, and the US Base Realignment and Closure Committee.

The auditors recommended and GEDCA stated that they would review the loans on a case-by-case basis and recommend for charge-off to its Board. No new loans were issued in FY 2007.

Operating Revenues and Expenses

Operating revenues from Industrial Parks rentals and Qualifying Certificate (QC) fees decreased slightly by \$48,000, from \$1.87 million in FY 2006 to \$1.82 million in FY 2007. Both rental income and QC fees have declined since FY 2003 when revenues were as high as \$2.28 million. This year, GEDCA did not realize revenues from bond fees, a non-recurring source of annual income.

Although GEDCA's revenues decreased, operating expenses increased by \$147,000, from \$1.81 million in 2006 to \$1.96 million in 2007. The increase was mainly due to a rise in salaries and benefits by \$150,000³, from \$1.03 million in 2006 to \$1.18 million in 2007. At the end of FY 2007, there were 23 employees, compared to 24 in FY 2006 and 19 in FY 2005. Travel more than doubled in FY 2007, from \$10,000 in FY 2006 to \$35,000 due to GEDCA's participation in meetings related to island business and military opportunities.

GEDCA is the third government of Guam entity to issue its FY 2007 audited financial statements, five months after the September 30, 2007 fiscal year end. Independent auditors Deloitte & Touche conducted the audit.

For a more detailed commentary, refer to the Management Discussion and Analysis in the audit report or visit their website at <http://www.investguam.com/>.

³ Does not include allocation to trust funds.